A MARKETING PUBLICATION OF LIPPINCOTT & MARGULIES / NUMBER 33

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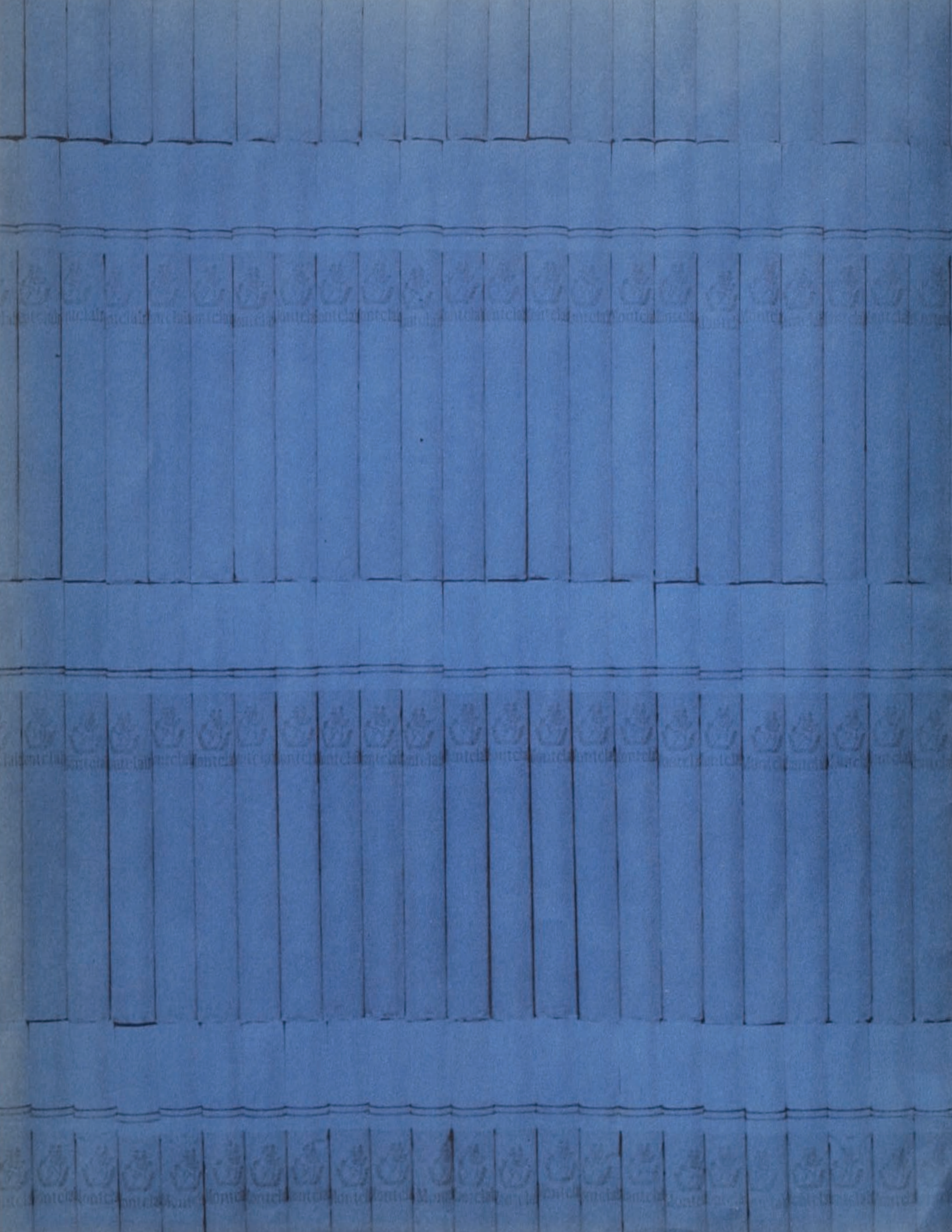

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A Study in Modern Marketing 3
The American Tobacco Company, Lippincott & Margulies and the agency bring forth a successful marketing strategy in a tight field.

Creativity and Research 8
Story of a successful partnership between design and research teams: Montclair.

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What are the pitfalls of introducing a new product in today's highly competitive economy?

How can manufacturers of consumer products for the mass market avoid some of these risks and dangers?

These are just two of the questions that are answered in this unusual case study of a modern marketing effort: the introduction of Montclair Modern Cigarettes into the competitive menthol cigarette market.

The successful approach to planning which the American Tobacco Company used can actually be used by the maker of any mass consumer item. And, indeed, most of the problems that this tobacco giant faced are similar to those faced by other producers of items to be sold to the mass market.

The most broadly applicable finding from this experience, we feel, is the following: To market a successful new consumer product, the manufacturer should call upon the entire range of talents and services available to him in the marketing and creative areas, allow sufficient time for all the preplanning stages and organize the effort to permit the most efficient teamwork between all contributors.

Marketing strategy and creative efforts were headed by American Tobacco president Robert Barney Walker (r.) and Lippincott & Margulies president Walter P. Margulies.

A STUDY IN MODERN MARKETING

Can a consumer products manufacturer introduce a new product into an already overcrowded field and still hope to have a success on his hands?

The question sounds loaded, and yet that is precisely what The American Tobacco Company accomplished with its recent introduction of Montclair Modern Cigarettes into the overcrowded menthol cigarette race.

The American Tobacco Company had been working on the development of this new cigarette for many years, and as the result of one of the most exhaustive product development programs in the industry, the company had brought forth a brand new cigarette, rather than just a new brand.

This cigarette is the result of a breakthrough in product technology and differs from any other available menthol cigarette. In the latter, the menthol is sprayed on the tobacco. In Montclair Modern Cigarettes the menthol is in the filter and is released only after the cigarette is lit.

Thus, once the new cigarette was perfected, The American Tobacco Company became understandably eager to speed its successful path to market. The result?

After extensive market testing and an exhaustive marketing effort, in early Spring 1963, Montclair cracked the New York market with outstanding success, and shortly thereafter because of consumer response, Montclair went national some five months earlier than anticipated.

Newly elected American Tobacco president Robert Barney Walker commented:

"Consumer research in test markets as early as Spring 1962 when we first introduced Montclair immediately confirmed that we were hitting the targets outlined in our original marketing plans."

He added that the rapid acceptance and success of Montclair is "a tribute to the importance of well-coordinated and sophisticated marketing planning when launching a new mass consumer product in an intensively competitive field."

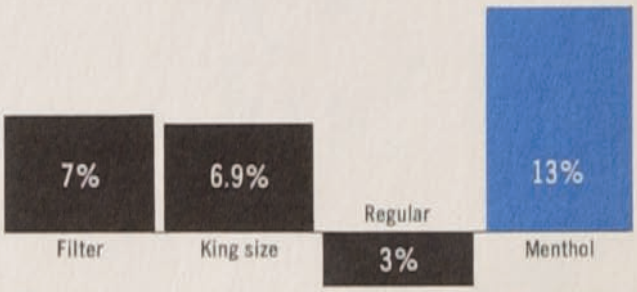
How was this marketing plan structured, coordinated and implemented? And who helped to contribute to the success of this potentially high-risk venture into the battles of the tobacco giants?

Possibly one of the most remarkable aspects of this vast new product development program was the intricate and successful Montclair marketing strategy: the marketing team of the manufacturer, American Tobacco; the advertising strategy board of the agency, Sullivan, Stauffer, Colwell & Bayles; and, the research and design teams of Lippincott & Margulies.

From the initiation of this new product program – Project Special, as it was known at Lippincott & Margulies – these three units worked in close harmony, cooperating closely on the development of each new step so that product, package, marketing and communications were timed and progressed coincidentally.

The program was directed by American Tobacco director of marketing John W. Leer – then sales development manager – under the supervision of Robert Barney Walker, who was vice president and director of advertising and sales for American Tobacco at the time – now president.

In October 1961, Lippincott & Margulies was called



Competition Among Cigarettes in the '60's

into an orientation meeting by American Tobacco, where this tobacco giant announced completion of development work on the new menthol cigarette. By March 1962, the new cigarette was introduced into its first test markets, with a pretested advertising campaign developed by its agency, SSC&B.

Yet the entire project, Project Special, of naming, designing and packaging the product, took a highly condensed four months from orientation meeting through product and name testing, product positioning, package design, package research and final production.

In this instance, as in the case of any new product development program, the initial understanding of the product market, problem and potential direction is the key to the success of the marketing strategy.

Here, in highly condensed form, is the analysis of the menthol cigarette market that was presented to American Tobacco management in fall 1961:

The problem faced by the company was the formidably different and more competitive conditions in the cigarette industry than in previous years because of the existence of more brands, a continuing avalanche of still more brands, and the spiraling costs of communications which necessitated a major investment in the introduction of any new cigarette.

Over the five year span between 1956 and 1961, the mentholated filter cigarette output had jumped from 4.4 billion to over 65 billion, according to the latest Wootten Cigarette Industry Report. In 1956, only two of the nine mentholated cigarettes that contributed to the 1961 menthol sales volume were even in existence; in 1957, there were five; in 1959, three more mentholated brands were introduced.

Therefore, it seemed unlikely that some of the miraculous successes of certain established brands from earlier times could now be repeated.

The rivalry between competing brands was at a peak, and manufacturers were pouring more and more money into their promotional activities to increase their share of available business. This business was increasing at a rate of some 7% for the filter cigarettes; straight king-sized cigarettes were gaining 6.9%, which slightly increased their share of the total market, while the straight regular sized cigarettes were off nearly 3%.

The fastest moving segment, however, was the mentholated filter cigarettes, with their gain of 13.4% over the previous year, and their 13% of the total available smoking market.

However, in order to be profitable in marketing a new brand, American Tobacco would need to offer product uniqueness in (1) taste; (2) appearance; (3) packaging, with all of these elements supported with a believable and unique marketing plan and promotion. "You have to be as new as Pall Mall was at its introduction!", that was the battle cry.

The team then proceeded to test the tangible customer-satisfying characteristics of the new product, such as the encapsulated menthol filter – which represented a technical breakthrough in the tobacco industry – in order to gauge the extent to which the customer would recognize and appreciate this difference.

Once the preliminary product testing was satisfactorily concluded, the marketing trio (The American Tobacco Company, SSC&B and Lippincott & Margulies) proceeded to develop a marketing analysis and platform for Project Special.

The goal in the program was the effective coordination of all communications. First of all, the criteria had to be defined precisely to avoid misunderstandings. The program would then translate the marketing strategy into the finished products: copy, illustration and package.

The marketing team recommended that the product be directed primarily to smokers of filter cigarettes, whether mentholated or not, but secondarily

Definition of the Montclair Market

Primary Market: filter smoker
Without Excluding: non-filter smoker

Primary Market: mature smoker
Without Excluding: younger smoker

Primary Market: male smoker
Without Excluding: female smoker

to all other smokers as well. In other words, it should seek a broad franchise, rather than emulate any of the highly specific claims with which some of the earlier filter and menthol brands were introduced.

The cigarette's communications were to appeal to the youthful but mature adult. And the brand was to be sufficiently ambiguous in its social class imagery to allow the potential user to find in it that social class level with which he is most comfortable.

All Montclair communications aim at the market target

Last, but far from least in the scale of importance, the cigarette should be as masculine as other leading cigarette brands. This factor was considered important because some early tests had shown that strong criticism existed of menthol cigarettes as not "true" cigarettes and essentially feminine. At the same time, an unself-conscious and not exaggerated masculine image was expected to appeal to the men, yet retain the female market.

Where quality was concerned, the special appeal of the new cigarette was summed up this way: "You can tell it is fine tobacco, and you get full menthol refreshment too." In other words, the menthol aspect was to be promoted as being auxiliary to the presentation of the brand as a fine tobacco product.

The recommended approach to marketing the product: The plan was to develop a number of complete candidate communications "packages" for ultimate consumer testing, including in each instance, a particular package design and product name as well as advertisements featuring this package. In this manner, it was felt, the impact of the entire product and product message upon the consumer could be gauged, rather than testing each component in isolation and out of context.

By the end of December 1961, both Lippincott & Margulies and The American Tobacco Company's agency had completed the preparation of test materials (sample product, packaging, names, advertising copy and illustrations) for the proposed research, and Project Special moved into its second phase: actual testing of package and design elements. The final stage was to be consumer testing, to be followed by the market-by-market introduction of the cigarette.

This, then, was the exhaustive program recommended by the marketing team. It is this intensive and well-researched marketing program that was then carried out by the team from The American Tobacco Company, SSC&B and Lippincott & Margulies.

"We have proof in the success of Montclair to date that it is this thorough approach to marketing planning, product development and marketing testing that accounts for our successful entry into the menthol cigarette field," says Robert Barney Walker.

"It is true that such an approach to new product development is costly. However, the cost of this approach to marketing a product was insignificant in comparison with the enormous cost of a failure if we had not taken all of these precautions, or had neglected to keep our thinking, planning and actual production in tune with real consumer needs."

CREATIVITY AND RESEARCH

Does research hamper creativity?

Can package design and commercial art measure up to standards of excellence, when they are created according to marketing and research criteria rather than for pure artistic motivations?

Periodically, these questions come up, and periodically varying awards are presented within the design profession for "excellence of design" and "originality and creativity" for products and packages which subsequently flop in the marketplace. Does this mean that art and commercial success are incompatible?

Lippincott & Margulies has found that the answer to the last question is a resounding "no". *Only the successful marriage of marketing planning, creativity and research can produce excellence of design of the caliber that wins top consumer acceptance.*

"The function of industrial design is not unrestrained creativity in a vacuum," emphatically says Walter P. Margulies, president of Lippincott & Margulies. "As a matter of fact, we agree with the great masters of the fine arts who have said throughout history that there can be no creativity without discipline. In commercial art, this discipline – unlike the fine arts – consists of a strong marketing orientation and skillful research to provide guidelines for the creative effort."

The evolution of the design program for Montclair Modern Cigarettes is a perfect illustration of this Lippincott & Margulies concept in action: This already successful consumer product is the offspring of a harmonious marriage between creativity and research. The way in which research and creativity both were brought to bear on the marketing and communications problems of Project Special may provide important guidelines and a fascinating case study for any manufacturer planning to bring out a new consumer product.

It is interesting to begin by taking note of the sequence of events which preceded both final design and final research activities. As it is usual for Lippincott & Margulies design program, Project Special had begun with the development of marketing strategy and criteria. (See "Montclair Modern Cigarette: A Case History in Cigarette Marketing" on page 3 of this issue.)

These marketing criteria were then developed into a design platform to guide the design team in its creation of packaging elements from a symbol to a logotype, package design pattern, colors and copy. Within two weeks of the original October 1961 orientation meeting between The American Tobacco Company and Lippincott & Margulies, design explorations along the guidelines indicated had begun.

At this time, a search for appropriate name candidates for the new mentholated cigarette were also getting under way.

Of course, the design platform which emerges out of a positioning statement, in the case of Montclair as in the case of any product, allows the design group a vast amount of leeway.

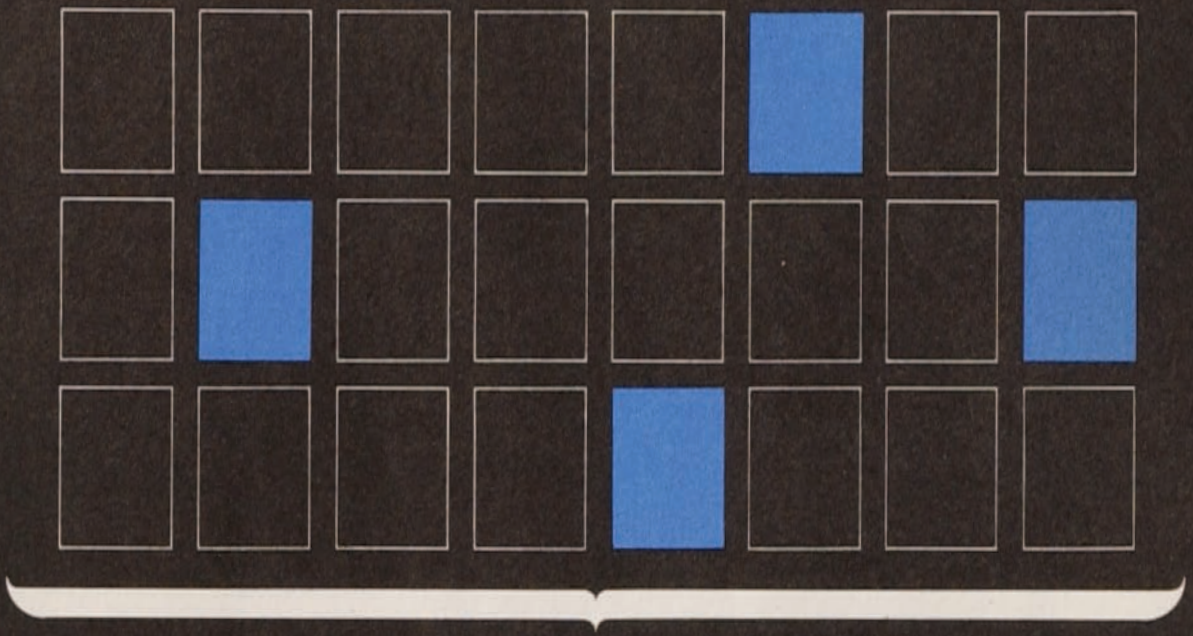
For example, the appeal target for the product as "unself-conscious masculine rather than a feminine appeal" does not dictate to the designer what he should be doing. Rather, it points up the pitfalls for him to avoid. For instance, a masculine appeal product is unlikely to call for pink color or romantic drawings, to use an exaggerated example. At the same time, there is little restriction about the kaleidoscope of colors and range of design and graphic elements which could qualify as being "unself-conscious masculine" in appeal.

During the period when design exploration was being carried on, dozens of different name candidates for the product were selected, researched and processed through American Tobacco legal clearance. The group was narrowed to four most promising candidates which were subjected to final evaluation as to availability and legal clearance. Out of this group

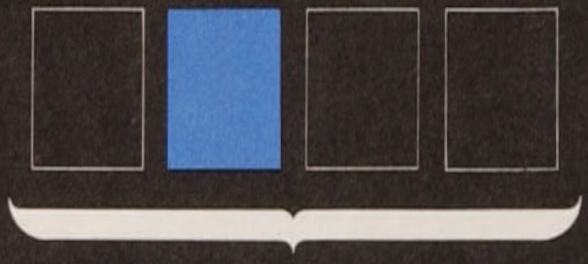
How design and research work together

MARKETING PLATFORM defines new product in terms of its characteristics and best consumer target. It lays ground rules for creative effort.

DESIGN PLATFORM based on the marketing objectives helps to direct the initial design explorations. Design team develops a variety of symbols, packages, color choices, approaches.



PRELIMINARY RESEARCH tests consumer reaction to top 24 packaging candidates. Earliest versions of the present Montclair package score well, with appeal to the appropriate consumer segments. But they had an excessively strong tobacco image; and the menthol image was weak.



DESIGN MODIFICATIONS based on the research findings produce four package designs as final contenders.

FINAL CONSUMER RESEARCH proves that the creative team had come up with a winner: a distinctive blue package connoting fine tobacco and menthol flavor; plus a unique, modern symbol in Pegasus.

came the chosen name, Montclair. Now the design team made its design adaptations of the name onto packaging, since this particular element had previously been unknown.

By the end of the year, some 10 weeks after the program had begun, Lippincott & Margulies was ready for a preliminary design evaluation for Project Special. This research job, one of the most comprehensive of the Montclair program, was actually an evaluation of 24 different candidate designs in terms of marketing criteria as these had been spelled out previously. The purpose of this research was to aid in the selection of four packages which would be subjected to final design testing. It was a "run-off."

Following the product's anticipated market description, the research was conducted among a sample of 900 people, half men, the other half women, each group divided into 40% menthol smokers, 40% filter smokers, and 20% non-filter smokers. This sample breakdown reflected accurately the market target at which Project Special was to be aimed, rather than the existing market for mentholated cigarettes.

The test was conducted in six metropolitan areas, ranging from a giant midwestern market to southern and eastern states, in order to be as representative as possible of regions and urban size differences.

The packages tested were actually six basic designs, each presented in four different colors, ranging from yellow to green, light blue and deep dark blue. Basically, the six design candidates were: a vertical slash (color with white); a horizontal slash; a ribbon design; a vertical color panel in a field of white; a pennant design; and a design on a solid color background, close to the final package which won out in subsequent testing.

Furthermore, the packages were also tested in terms of specific image criteria where four different designs or decorative motifs were concerned. These design symbols were (1) a unicorn; (2) an eagle; (3) a fleur-de-lis; and, (4) Pegasus, the flying horse.

And, lastly, attitudes toward closure stamps were also tested by use of four different colors and types of closure stamps. In brief, not one component of the package (all of which had been exhaustively covered during the design exploration period) was left out of this comprehensive research project.

While these are the basic physical components which made up the test, the research, of course, was aimed at discovering to what extent these packages and their various parts evoked a consumer response

Another Success Story

Early in 1958, The American Tobacco Company accomplished a major breakthrough with its innovation of the first Dual Filter cigarette.

Dual Filter Tareyton, in this package designed by Lippincott & Margulies, has made cigarette sales history. Each year since its introduction, the brand has achieved significant sales increases.

This is another of the outstanding success stories of The American Tobacco Company in which Lippincott & Margulies has played an important role.

Lippincott & Margulies design and research teams worked closely together on the Montclair project.

coinciding with the original marketing strategy upon which the marketing trio (American Tobacco, SSC&B and Lippincott & Margulies) had based its Montclair work.

Two of the design patterns scored very close on the favorable scale. However, the solid color package was somewhat more positive than its competitors within the desirable age group and among the broadest range of smokers from mentholated to non-filtered cigarettes.

The solid color received a higher rating on virtually all of the qualities established as desirable for the product:

1. Different from others
2. Genuine
3. For me
4. Real tobacco flavor
5. Will become popular
6. Will be on market for long time
7. For someone who really enjoys smoking
8. Made by large, reliable company
9. Proud to offer friend a cigarette from the pack
10. If I were to change brands, I would probably try this pack.

But here are some of the important guidelines for the creative team which emerged from the research findings:

On the solid pack in a very dark blue color, the playback was of extremely strong tobacco, and the product image leaned somewhat more heavily toward maleness than had either been anticipated or desired. The Lippincott & Margulies design team, upon studying the findings, interpreted this latter playback as a need to heighten and brighten the blue color to the medium royal blue range which was finally selected.

The Pegasus was perceived as the most acceptable of the four symbols and was recommended as the symbol to be incorporated in each of the finalist packages for the show-down research to be conducted a month later. The results of this comprehensive preliminary research had proved overwhelmingly that the Pegasus would operate to modernize, masculinize and increase the positive product taste and quality connotations of the packaging.

The color connotations of the various packages tested were both interesting and to some extent predictable. Certainly green came out as most unmistakably associated with menthol. On the other hand, yellow, for some reason, connoted not so much "pure tobacco" as one might have thought, as it seemed to be associated with the most extreme types of consumers and the least desirable, ranging from "lower class people" and "phony intellectuals" to "juvenile delinquents" and "spoiled rich debutantes and playboys," who were also seen by respondents as being attracted by what were perceived as the extreme designs such as the pennant pattern.

As the design director for Project Special explained it: "You can't tell ahead what consumers' reaction will be to color and packaging without testing for the reaction. And the test obviously has to be conducted in context with the product and its desirable market."

While the package designing and testing were proceeding, the design team began to work on the design for the cigarette itself. "It's tough to design a cigarette because it's so easy to overdesign. There are certain standard pitfalls to avoid: People don't like color in their mouth, so the design must not be put too close to the lipline. It must be a quiet enough design not to be objectionable, but make enough of a statement so that if it's in an ashtray, it will be noticed."

Because of the favorable playback indicated within the preliminary research, the Pegasus was adopted as the design symbol for the cigarette as well as for the package, and was put in fine line drawing somewhat below the filter tip to create the distinctive

Mythological figure Pegasus, often used in art and literature, symbolizes purity, strength and inspiration. Example here appeared in mid-1800's to illustrate poem by German lyric poet Frederick Schiller.

identification so essential. Then, in order to connote the dual qualities of the cigarette in terms of taste (fine golden tobacco with the added menthol tip), the tip, which is white, had two thin parallel circles on it — one in golden brown to connote the tobacco, and one in the final medium blue selected for the package to represent the menthol.

Often educated hunch and instinct becomes borne out by research. That is precisely what had happened in the case of the solid color package, which had been overwhelmingly favored by the design team: "We wanted a single mood and a single color impact. And the mood we wanted was not 'spring' but 'evening' — the time to relax."

But there are many things that instinct alone, no matter how educated and experienced, cannot tell. Research provides creativity with those important guidelines.

Perhaps one of the most important factors to be aware of in planning and conducting research on packaging, of course, is the great alchemy or interaction of the diverse components of the package: the name, the color, the symbol, the package design itself, and so forth.

It is possible, of course, to get a playback on each of these individual components. But the interesting truth of the matter is that all of these design or creative components act like a chemical mixture rather than a chemical compound: Together, they may very well add up to more or less than the whole of their parts. Rarely if ever are they precisely equal to it.

In other words, when the Lippincott & Margulies design team heightened and brightened the blue of the final Montclair package candidate, they really did more than alter a color or shade. They actually changed, albeit subtly, the entirety of the package and of its appeal. It was not only the package color which now appeared (and tested) differently than before, but the name and the symbol took on a new meaning and perspective.

In brief, it is impossible to change one creative component without affecting the entirety of the package or creative whole.

Final package research was conducted in early February 1962, both in isolation and in conjunction with two final candidate SSC&B advertisements. In this manner, the research provided some gauge of the playback to the complete communications package, including the advertising and promotion appeals to the consumer market.

Result: The Montclair package is royal blue, chosen for its masculinity, uniqueness in the cigarette industry, and menthol-relatedness. The Montclair logotype is white for contrast and visibility. A gold Pegasus centered on the front of the package, chosen for masculinity, symbolizes modernity and the fine golden tobacco in the product as a quality symbol. Each cigarette has the double band (golden brown and blue) where the white tip joins the tobacco column to carry out the dual theme of fresh menthol and fine tobacco taste.

Although the cigarette industry is battling for share of market with higher communications budgets than during any previous year, and while the field is certainly more crowded than ever before, Montclair found rapid consumer acceptance from the time of its first introduction into test market.

Today Montclair Modern Cigarettes are three months ahead of the marketing schedule in number and size of markets where they have been introduced. Indeed, in March 1963, Montclair came into New York, traditionally the toughest market for any new product to crack, and immediately took off on its sales climb. By May, Montclair had gone national.

"A tribute to sound marketing, research and design," says Robert Barney Walker.

"A tribute to team work," says Lippincott & Margulies.

LIPPINCOTT & MARGULIES L&M INDUSTRIAL DESIGNERS & MARKETING CONSULTANTS

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